

# Cooperative Marketing Game based on Industrial Cluster

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**Abstract:** Economic benefit needs mutual cooperation and coordination of characters in non-isolated business activities. Cooperative marketing model of industrial cluster emerges with the enhancement of economic level, offering a new model to economy development. The cooperation of production, packaging and marketing can be achieved. It contributes to conservation of resources and improvement of economic benefits of cooperative partners. In this work, backgrounds, impact factors and specific strategies of cooperative marketing of industrial cluster were analyzed with Game Theory.

## 1 INTRODUCTION

Industrial cluster cooperation is a common and distinctive model in modern economics. It contributes to connections of enterprises and other economic organizations, strengthening relations and communications among various enterprises. Cooperative marketing of industrial cluster can promote development and progress of whole region and establishment of regional brands. Thus, the marketing model has been accepted by many regions and enterprises. More tight relations and cooperations emerge with the implementation of industrial cluster cooperation in one region. But competitive relationship within these enterprises, especially similar enterprises, is fierce and brutal. Coexistence of competition and cooperation is the true relation state among enterprises (Zhang Xiaobao, Yin Fangzi, Chen Cong and Gui Ling, 2012). Therefore, competition and cooperation should be paid same attention to well balance the relationship based on industrial cluster. The “win-win” can be achieved with Game Theory. More economic value can be created based on the guarantee of economic interests of cooperative partners.

## 2 BACKGROUNDS OF COOPERATIVE MARKETING OF INDUSTRIAL CLUSTER

Socialist economic level in China is relatively low since it is in the early stage. Economic development speed increases continuously. Environment for China’s market development is not stable compared with other developed countries. Meanwhile, small and medium-sized enterprises play an important role in the socialist market economy, but with characteristics of less capital, small scale and weak vitality. They are too feeble to survive in the unstable market in China. Thanks to industrial cluster cooperation, sale cost and transportation expense can be decreased for internal marketing of cluster (Yang Baojun, 2007). With labor division and cooperation, industrial cluster has adapted to macro economics in China and micro economics and trade environment of small and medium-sized enterprises. Industrial cluster provides more opportunities and a broader space for cooperation of enterprises.

From the perspective of present status in China, there have been a lot of industry cluster cooperation in relatively developed southeast coastal areas. For example in Wenzhou, collaboration between enterprises has become more and more common in economic development. But cooperation management of industrial cluster is still affected and restricted by many factors. Industrial cluster in China is not a reasonable system. Seamless regional

cooperation and pipeline connection are rarely seen. Research on cooperative marketing of industry cluster is still superficial without special scientific theoretical guidance (Huang Benxiao and Luo Qin, 2005). Moreover, others factors also affect cooperative marketing, such as trends of economic development, different resources of partners, guide of market, personal preferences of managers.

### **3 IMPACT FACTORS OF COOPERATE MARKETING UNDER INDUSTRY CLUSTER BACKGROUND**

#### **3.1 Trends of economic development**

Enterprises and economic organizations are strengthened continuously with the rapid increase of economy and the sustainable development in China. Business relationship between enterprises emerges for the purse of economic benefits. Joint efforts are made to achieve economic benefits. Such development state provides more opportunities for cooperation of enterprises. Similar enterprises in the same region tend to cooperate for marketing of industrial cluster. Compared with other marketing methods, cluster cooperative marketing endows strong competitiveness of quality, features and cost performance of products. Better yet, a certain degree of monopoly can be formed, such as featured brand in one area. Therefore, backgrounds and trends of economic development are important factors for promoting cooperative marketing.

#### **3.2 Different resources of partnerships**

Economic interest is the certain goal of all enterprises and economic organizations. Mutual using of resources is the premise of cooperation between enterprises, for resources of enterprises are the foundations for creating economic benefits. Similar with other cooperation, cooperative marketing should take full advantages of partners' resources for better value and economic benefits. Partners should make their own contributions for marketing, achieving "1 + 1 > 2" – meaning a successful cooperation. Therefore, different resources of partners are also impact factors for cooperative marketing.

#### **3.3 Guidance of market**

In market with widespread cooperation, there emerges an economic organization for creating and strengthening cooperation, called cooperative marketing intermediaries. The intermediaries offer careful planning for marketing strategy of enterprises. Cooperation between intermediaries and customer enterprises can be achieved, as well as cooperation with more partners for customer enterprises. A kind of freemasonry delicate relationship is formed between enterprises of competition and cooperation. Feedback of economic phenomenon along with market can be acted back on market. More enterprises and economic organizations should develop a broader market for expanding business, so as to attract more economic partners. The level of cooperative marketing can be improved, thus forming a benign circle of economy.

#### **3.4 Personal preference of manager**

Manager plays a decisive role in one enterprise's plan and decision, directly affecting healthy development and persistent operation. Manager's personality has an obvious intervention in cooperative marketing decision. If manager has a positioning of business object and idea, together with an ambition, the enterprise can develop for the distinct object on the basis of cooperation. Superficially, there will be more business expansion and cooperation and continually excavated market. Instead, if a rational manager has a goal of stability and an absolute control of enterprise, the enterprise is in obscurity to a certain extent. Old customers are the main sources of income. Therefore, personal preference of manager has a direct impact on enterprise development, as well as cooperative marketing decision.

### **4 SPECIFIC STRATEGY FOR COOPERATIVE MARKETING OF INDUSTRIAL CLUSTER**

#### **4.1 Cooperative pricing in industrial cluster**

In terms of same kind of product, internal enterprises of industrial cluster own great advantage in pricing. Regionalism is an obvious characteristic of cooperation in industrial cluster. Cost and spending can be saved in raw materials flow. Large-scale

cultivation and manufacturing of raw materials are popularized in cluster enterprises for smooth production. Cost of product can be saved with scientific standardized management and obtaining materials locally. In the collaboration of related enterprises, proper internal price is to be adjusted and negotiated for more economic benefits. Products with such cost and price are very competitive in industrial cluster, compared with other similar products. Of course, low price is more attractive for customers. Enterprises are able to earn more profits.

Low price in industry cluster is achieved on the basis of guaranteeing enterprises' profits. Meanwhile, such a low price has no damage on legitimate rights and interests of consumers. With saving some expenditure in a certain extent, enterprises can obtain recognition, support and trust of customers. Economic goals of cooperation partners can be achieved at the same time. As a result, the pricing is entirely different from price in "price alliance" of market—intentionally driving down price. Industrial cluster can realize cooperative target of "killing three birds in one stone". Product of higher cost performance can be achieved with scientific and reasonable management and tight cooperation. On the basis of product value and price advantage, pricing is to be agreed for occupying a stable market. Moreover, prolonged trust relationship between enterprises can be maintained for better long-term cooperation.

#### **4.2 Planning of marketing activity in industrial cluster**

With income guaranteed and profits achieved, product sale is a key component of enterprise's business. Planning of professional skills is needed. For example, discount promotion has many different modes. Cooperation promotion has obvious advantages over personnel promotion, advertising and other forms. Media agencies, public relation companies and websites, along with the market, provide a good external environment for industrial cluster marketing cooperation. By using these conditions, internal enterprises of industrial cluster can make mutual cooperation with joint promotion activities. The risk can be appropriately dispersed. Promotion messages can be widely spread through media and network, so as to attract more consumers' attention. E-commerce can also be run on website. More market shares can be achieved with "small profits and good sales" by connecting with international market directly. In the promotion activities, enterprise and brand should establish a

good image. Furthermore, regional economic development should be boosted with increase of sales efficiency and decrease of time.

Regional economy and brand are signatures for promotion activities. One kind of product in the region is a conspicuous representative. With collaboration between enterprises in cluster, many unknown small enterprises can obtain exchange opportunities on product exhibitions. Thus, small and medium-sized enterprises can cooperate with strong partners for its attractive excellent product quality and performance. Reform of product quality of whole industry is to be driven. Under mutual supervision of fair competition, more and more opportunities are provided for small and medium-sized enterprises. With market expanding, small and medium-sized enterprises can achieve more economic benefits by taking advantages of regional economy.

#### **4.3 Diversification of sales channels for industrial cluster enterprises**

Sales channel is an essential sales method, which is different from promotion and exhibition. With great significance, it brings the most stable income for enterprises. Industry cluster enterprises have a certain advantage in product's price, as well as in after-sales service. It is convenient for the service and maintenance of product. By taking advantages of industrial cluster, a whole sales network can be built with cooperation of similar enterprises. The scope and channels of sales can be expanded for the sharing of partners. "Enhancing advantage and avoiding disadvantage" can be achieved. More than low cost of product, cost of market development can be shared with cooperation of enterprises in industrial cluster. Thus, overall cost can be saved, and risk of investment can be avoided. More enterprises are able to co-found well-known regional brands in the same broad market with mutual supervision and improvement. For strong sense of trust, regional economy can attract more domestic and foreign large-trading partners. Success rate of foreign cooperation increases continuously. Enterprises can progress together with cluster partners in one region.

Meanwhile, industrial clusters and regional economic integration development need government's support and assistance. Government should actively advertise local cluster in the cooperation and communication with external economic entity. Regional economy can be more competitive and reputable. Diversity of sales

channels can be developed, as well. Government should provide industrial cluster for beneficial policy support, so as to better serve local economic development and enterprises' value achievement.

## 5 CONCLUSIONS

Industry cluster is a trend of future economic development. Obvious competitive relationship is among similar enterprises. With inadequate cooperation and competition methods, problems and obstacles will occur in the development of enterprises. Analyzed from backgrounds, impact factors and strategies, cooperative marketing of industrial cluster should be promoted with well balanced cooperation and competition. Based on Game Theory, management of internal enterprises in industrial cluster can better deal with profits and continuous development. Economic interests can be achieved with rational benign cooperation. Enterprise can obtain long-term and sustainable development in fierce competition, contributing to enhancement of regional economic level. Economy in China can be developed soundly and rapidly. With guidance of enterprise leaders, industry organizations and national government, enterprise in industry cluster can progress with a better and broader prospect.

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